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ABSTRACT

Legislatures and courts have attempted to create equitable formulas for school finance. However, these formulas may have negative effects on educational opportunities for urban students. Comparisons of the per-pupil expenditures of large urban school districts, such as New York, with nearby suburban districts and state-wide averages disclose dramatic inequities. Urban school financing must contend with the following problems: (1) structural features in the State aid system that work against urban districts; (2) increased State control over local budgets; and (3) the decline in urban capacity for school support. Urban districts face higher costs than suburban districts in the following areas: (1) personnel; (2) facilities; and (3) special student needs. The relationship between school finance and student achievement has been difficult to establish because achievement has traditionally been measured in terms of basic skills and has not considered additional learning opportunities. Suggestions for improving educational equity in urban schools focus on the following areas: (1) increasing federal funding; (2) improving the methods of calculating urban students' needs; and (3) allowing greater local autonomy in determining standards and programs. A list of 18 references is appended. (FMW)

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URBAN SCHOOL FINANCE:
THE QUEST FOR EQUAL EDUCATIONAL OPPORTUNITY

ERIC/CUE DIGEST NO. 55

by Carol Ascher

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URBAN SCHOOL FINANCE: THE QUEST FOR EQUAL EDUCATIONAL OPPORTUNITY

As a nation we believe that equal educational opportunity is somehow tied to school expenditures. Thus, over the last decades the legislatures and courts have attempted to create equitable formulas for school finance. Questions about how money affects educational opportunity persist, however: given very different local contexts, how does one determine when students attending one school are getting equivalent resources to those attending another? And how can one measure the effects of this equality or inequality on students' educational experience and achievement?

Determining Urban Per Pupil Expenditures

A comparison between the funding of schools in city-wide urban districts and in suburban areas can provide dramatic evidence of inequities. For example, in the largest urban system in the country—New York City's—the 1988-89 approved operating expense per student was $4,351. In contrast, expenses per student in the four surrounding suburban counties was $1-2,000 higher: $6,605 in Westchester, $6,539 in Nassau, $6,189 in Rockland, and $5,852 in Suffolk. Even the average New York State per pupil expenditure of $4,716 was nearly $400 higher than New York City's (New York City Board of Education, 1989).

However, because not all urban districts coincide with city boundaries, and because per pupil expenses are calculated differently around the nation, many urban districts show no noticeable deprivations when their per pupil expenses are compared to those of neighboring districts. Pittsburgh, for example, has an extremely expensive busing plan which is charged to per pupil costs; thus its budget is actually higher than that of the surrounding suburban districts, which have low busing expenses.

Urban School Financing Problems

Despite the problems of obtaining clear national statistics comparing urban with nonurban school finance, few educators would argue with the proposition that urban schools are in financial serious trouble.

There are a variety of important reasons for the fiscal strains experienced by urban school districts:

Structural Features in the State Aid System That Work Against Urban Districts

In the 1950s and 1960s, money for education was largely raised at a local level based on property taxes, with funds from the federal government generally used to create special programming. Since 1970s, however, partly in the hope of reducing inequities between property rich and property poor districts, state aid for education has increasingly supplemented local school funding. All 50 states increased their education budgets in the early 1980s, and by 1984 states generally funded more than 50 percent of nonfederal school costs (Augenblick, 1984).

However, several factors have diminished the effectiveness of state education funding in equalizing the financing of school districts.

First, despite their growth, state education budgets have not kept up with inflation. This means that states have simply not had the money to pick up the loss of federal dollars, or to give extra money to traditionally poor school districts. Thus, in many urban areas, the state ratio of funding remains significantly lower than 50 percent. Of Chicago's $1.9 billion education budget, for instance, the state supplies 42 percent, or $825 million (Byrd, 1989).

Second, "hold harmless" provisions in many states now ensure that state attempts to allocate funds equitably will not result in less revenues for any affluent school district; thus, state budgets actually need to be expanding for the state to help out their poorer districts (Cardenas, 1988).

Third, even when state responsibility for city school district budgets is growing, financial support may not keep up with the costs of increasing district enrollments or other expenses. In California, the school-age population is growing rapidly, and most of the increase is in urban areas: by 1997, the projected enrollment is expected to be 1.2 million over the 1987 school population—which translates into 42,000 additional classrooms or more than 2,100 schools, most to be needed in California's large cities. However, funds available from the California State School Construction Program only meet about a third of the costs of construction required by school districts. This discrepancy is hitting the San Diego Public Schools and the Los Angeles Unified School District the hardest for

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three reasons: these two cities are experiencing the greatest population growth; their inner-city schools are already old and rundown; and, since little new housing is being built, it is difficult to generate money from development fees (R. Carriedo, personal communication, 1989; M. Schraeger, personal communication, 1989).

Fourth, state aid to school districts is generally calculated by Average Daily Attendance (ADA) data, which tend to discriminate against urban school districts with high absentee rates. The New York City Board of Education (1989) calculates that the ADA formula excludes approximately 15 percent of its students from state aid. In fact, most urban administrators say it would be more equitable to calculate state aid on the basis of "average daily membership" (ADM), or a blend of active" membership (enrollment) and attendance.

Fifth, even less widely used in calculating costs for state aid allocations is an accurate population density/sparsity factor. For instance, while the state of Oklahoma's transportation formula is based on density and average daily travel, it ignores the extra costs resulting from time spent negotiating urban traffic jams. Thus, while the state funds 110 percent of the costs of transportation in some rural areas, it funds only 23 percent of the cost of transportation in the Oklahoma City Public Schools (Steller, 1987).

Finally, the current mood of the country is more directed towards excellence than equality, and thus when states have additional dollars, they tend to go to "excellence" projects, rather than to supporting the education of disadvantaged urban students. In fact, state funds for bilingual, compensatory education, and other special programs do not reflect the actual price of maintaining them, so that much of the costs of space, utilities, and administration is often borne by the districts (Steller, 1987).

Increased State Control over Local Budgets

Although states have always exercised some control over the level of resources available for public schooling, the growth of state level funding has been accompanied by a consolidation of state control along with a diminution of local power to raise money or to determine how it is spent. Because each year state monies come with different stipulations, local school officials complain of never knowing from year to year either whether specific programs will be refunded or how much money will be available for discretionary spending. As was found in the case of *Edgewood v. Kirby* in Austin, Texas,

> the only element of local control that remains undiminished is the power of wealthy districts to fund education at virtually any level they choose, as contrasted with the property-poor districts who [sic] enjoy no such local control . . . because of their inadequate property tax base; the bulk of the revenues they generate are consumed by the building of necessary facilities and compliance with state-mandated requirements (cited in Wise & Gendler, 1989).

The Decline in Federal Dollars and the Change from Categorical to Block Grants

In 1981, federal block grants replaced categorical grants in 28 categories of separate education programs. In contrast to categorical grants, which, for example, give funding to bilingual or handicapped students, block grants can be used for broadly defined educational purposes. Block grants offer a number of advantages to local districts, such as bureaucratic streamlining, an end to competition among districts for specific categorical grants, and the elimination of the advantages that entrepreneurial districts once had over nonentrepreneurial districts. However, many big-city school districts claim that they suffer under the block grant system. As they point out, the federal government initially provided special services and programs because states did not offer them. Urban districts under court ordered desegregation, for instance, which previously had federal funds, took large cuts. Moreover, a larger proportion of big-city revenues came from the federal government under categorical grants (16 percent) than they now receive under block grants—8 percent (Ornstein, 1988).

The Decline in Urban Capacity for School Support

Raising school taxes in urban areas is difficult for several reasons. In many cities, because the development of new housing is minimal, there are fewer options for raising property-based school taxes. In addition, city councils often attempt to attract commercial real estate interests with the incentive of abatements and exemptions. In medium-sized cities, like Des Moines, Akron, Cincinnati, Kansas City, and Grand Rapids, which have experienced economic decline, city councils have abated away 20-30 percent of the tax base for the next 30 years.

These problems are particularly severe in the Frostbelt, where the loss of both industry and the middle-class has created what is called "municipal overburden." The remaining people are generally the elderly and less affluent, who not only contribute little to tax revenues, but burden the existing tax base by requiring publicly funded social services. Thus, schools must compete with a variety of other urgently needed services for the small and declining urban tax dollar.

In fact, in a little-discussed manner, low-income urban populations do support their schools—and it is often the poorest urban dwellers who pay the most. State lotteries are currently used entirely or in large part for education in California, Florida, Michigan, New Hampshire, New Jersey, New York, and Ohio. In New York State, for example, lottery earnings supplied $848.1 million, or 10 percent of the state education budget in 1988-89 (Gladimus, 1989). Unfortunately, the lottery is a regressive means of funding schools, since a higher proportion of low-income people play the lottery, and they spend larger percentages of their incomes on it (Ornstein, 1988).

The Extra Costs of Educating Urban Students

Urban school districts are likely to experience particular fiscal strain, both because they must make expenditures not necessary in other areas and because they can secure less for their education dollar.

Human and Material Resources

Teachers in urban areas tend to be more experienced than their nonurban counterparts, and, thus, are at the high end of the pay scale (K. McGuire, personal communication, 1989). Moreover, many ghetto areas are

forced to use "combat pay" to attract teachers. For example, teachers' salaries in New York, Chicago, Los Angeles, Philadelphia, and Houston average over $6,000 more than statewide teacher salaries—which, obviously, would be even lower if the figures for the cities were not included (Nelson, 1989). These high salaries must be borne by cities because state aid systems rarely include a training and experience factor for teachers in per pupil cost calculations.

The cost of land for schools, and materials and labor for their construction and maintainance, are higher in cities as well. In fact, a major reason for the growth of year-round schooling in many cities is simply the inability to pay for the construction of additional schools.

The cost of vandalism is also greater in urban areas. In 1987-88, for example, the Los Angeles County School District paid $25 million for its security force, in addition to which the school district made outlays for burglar and fire alarms, security fences, and the rising cost of insurance (M. Schraeger, personal communication, 1989). Although new technology available in public schools obviously enhances education, thefts of VCRs, computers, and software equipment have greatly increased operating costs.

The Special Needs of Urban Students

Finally, a huge pressure on urban schools has been caused by the changing composition of inner-city dwellers, especially students. Urban minority enrollment has grown even faster than the urban minority population as a whole —and it has been accompanied by an enormous growth in disadvantaged students. By the mid-1980s, over 30 percent of all school-age children residing in central cities were poor, and 70 percent were minorities (Hill, Wise, & Shapiro, 1989). New York City, with 35 percent of the state's school enrollment, has 63 percent of those living in poverty, 54 percent of all fulltime special education students, and 80 percent of all students with limited English proficiency (New York City Board of Education, 1989).

Poor students, particularly those in high poverty areas who also suffer from prejudice and historical deprivations, require special services if they are to be given an equal educational opportunity. These programs substantially increase educational costs (Murphy & Hack, 1985; Steller, 1987):

Compensatory Education: Costs 1.6 to 2.4 times more per student than a regular school program.

Special Education: Costs 2 to 5 times as much as a regular academic program.

Language Education programs: Involves training existing staff, paying extra teachers who speak the needed language(s), as well as providing special curriculum, handbooks, newsletters, forms, and other materials—much of which have to be produced by the district.

Vocational Education: Costs between 25 and 80 percent more than academic programs.

City school districts also tend to undertake a variety of other educational expenditures which nonurban districts can often escape. These include: desegregation costs; the administrative and academic costs that result from high student mobility and irregular or poor attendance; the costs of providing disciplinary programs and special programs for addicted or pregnant students; transportation costs; and food costs (including breakfast, lunch, and, in some cases, a third meal before the students go home).

The Effect of Funding Inequities on Achievement

A central issue in fiscal inequity lawsuits is whether or not a school district's financial resources make a difference to educational outcomes (Cardenas, 1987; Clune & Lindquist, 1979). As New Jersey's Education Commissioner argued in a ruling in his state, representatives of urban school districts had not demonstrated that "children educated in property poor districts are in any way disadvantaged" (Kentucky, 1989). However, in the Serrano case before the California Supreme Court, a lawyer made the obvious point that, if school wealth made no difference, the wealthy districts shouldn't mind transferring some of their assets to poor districts. And, several recent cases have found in favor of districts claiming inequities.

Formal research, beginning with James Coleman's seminal study, *Equality of Educational Opportunity*, tends to suport the position that school expeditures are not related to achievement (Childs & Shakeshaft, 1987; Hanushek, 1989). However, even Hanushek (1989, p. 49) argues that such reforms as increasing teacher salaries would improve the pool of potential teachers, and thus that "money could count—it just does not consistently do so within the current organization of schools."

Cardenas (1987) suggests that one reason for the failure to correlate school finance with student outcomes is that achievement has always been defined by basic skills. The fact is, however, that students in wealthy areas are given additional learning opportunities; besides the basics, they are taught higher order thinking through more sophisticated instructional programs and a greater variety of advanced math, science, and foreign language classes. Thus, the relationship between school finance and student outcomes should be measured by such variables as: student enrollment in college placement classes, honors programs, and programs for the gifted and talented; school dropout rates; employment figures of students upon graduation; enrollment of graduates in post-secondary schools; career selection; and even students' quality of life. These are the components which tend to identify the presence—or absence—of equal educational opportunity.

How to Promote Educational Equity

The research on urban school finance suggests that urban school districts need three things:

More Money. The Carnegie Foundation for the Advancement of Teaching (1988) proposes a specific federal allocation aimed at urban school districts: money for a National Urban Schools Program would be directed to the nation's 100 largest school districts. Money would be available for teacher renewal, and curriculum and administrative innovations; and an Urban Schools Facilities provision would make available to school districts low interest loans or matching grants to demolish or refurbish old buildings and create more attractive, smaller units, or to relocate in residential or commercial buildings. Loans would also be available to rebuild science laboratories and secure new technology.

Better Ways of Calculating Urban Students' Needs.

New York's Salerno Commission recommended a number of reforms in state aid to education (Salerno, 1988). Among them, the following have application in many states besides New York. The current pupil calculation by Average Daily Attendance (ADA) should be modified to reflect a blend of active membership (enrollment) and attendance. The distribution of state aid should also reflect the extra needs of disadvantaged and at-risk students. And each school district's ability to pay for educational services—including regional cost differences, shifts in property values, and the use of a poverty factor to calculate the combined wealth ratio—should be calculated into the state aid formula. Cardenas (1988) suggests a method of relating a state's share of local school finance to a combination of the district's power to levy taxes and weighted pupil factors.

Greater Autonomy. Many educators are worried about the increasing regulatory power of states. They suggest that state efforts should be directed at ensuring equal inputs, rather than legislating program and standards. As Wise and Gendler (1989, p. 36) note, when the state regulates outputs, its "effort to produce equal education ends up degrading learning for all. Individuality, creativity, and depth are lost; all that is retained is uniformity, conventionality, and trivial skills." By contrast, when a state regulates inputs, it encourages local initiative, equalizes the capacity of poor districts to secure a sufficient and highly qualified teaching force, and permits schools from poor districts to choose among curriculum and equipment options, just as wealthy districts do.

—Carol Ascher

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